

# **EXHIBIT 182**

## **REDACTED**

## ATTORNEY CLIENT PRIVILEGED

### AdX auction mechanism: First-price vs Second-price<sup>J2</sup> gTrade

#### Status quo:

- AdX adopts a second-price auction for real-time ad inventory allocation.
- The majority buyer is GDN (████ of revenue).
- GDN submits 2 bids (for the most part), while AdX buyers usually only submit 1 bid.
- There is a strong disjunction between the queries bid for by GDN and those bid for by other AdX buyers, causing large auction discounts, particularly for AdX buyers.
- There is concern that AdX publishers receive lower RPMs compared to what they can get from competing Ad exchanges like Rubikon
  - Competitors run opaque auctions based on dynamic reserve prices, soft reserves etc and end up pricing advertisers close to their bid.
  - A majority of buyers are not bidding differently on other exchanges despite them being more first-price-like, hence AdX is not getting any benefit from the second price auction.

#### Merits of first-price over second-price auction:

1. Short-term (or long-term) increase in publisher RPMs because of buyer inertia to change truthful bidding strategy.
2. In the long-term, transparency and equalization with auction mechanisms at competing Ad exchanges.
  - Suppose buyers adapt to AdX's first pricing mechanism, it is likely they will change their bidding on other exchanges
  - In the long run, this implies, AdX can not be out RPMed by other exchanges, because we now have a level playing auction field
3. May deter formation of aggregated buyer networks, since the benefits of auction discount is now eliminated.<sup>A7</sup>
4. In the second price auction, sellers have a higher incentive to increase reserve prices and profit in the short term. In a first price auction, there is no short term incentive, maybe only in the long term
  - For sellers to use large reserves to increase bids in the long term, they require a lot of patience to let bids increase over time, and until then their match rate will be low.
5. Optional consideration: Help GDN develop a bidding strategy that is also applicable to Awbid<sup>A12</sup> (i.e. bidding on other exchanges), since the mechanisms in these exchanges mirror the first-price auction. Also, allows us to be consistent and submit only 1 bid to all exchanges.<sup>A11</sup>

#### Concerns of first-price over second-price auction: